

THE HONORABLE RICARDO S. MARTINEZ

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UTHERVERSE GAMING LLC,

Plaintiff,

v.

EPIC GAMES, INC.,

Defendant.

Case No. 2:21-cv-00799-RSM

**JOINT STATEMENT OF DISPUTED
FINAL JURY INSTRUCTIONS**

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DISPUTED Final Instruction No. 11 – Interpretation of Claims (PROPOSED BY UTHERVERSE)

Before you decide whether Epic Games has infringed the asserted claims of the patent or whether those claims are invalid, you will need to understand the patent claims. As I mentioned at the beginning of the case, the patent claims are numbered sentences at the end of the patent that describe the boundaries of the patent’s protection. It is my job as judge to explain to you the meaning of any language in the asserted claims that needs interpretation.

I have interpreted the meaning of some of the language in the patent claims involved in this case. You must accept those interpretations as correct. My interpretation of the language should not be taken as an indication that I have a view regarding the issues of infringement and invalidity. The decisions regarding infringement and invalidity are yours to make.

For purposes of the ’605 Patent, the following terms have the following meanings:

Claim Term	Meaning
“avatar” (claims 1, 2)	A computer-generated figure in a virtual environment that represents and is operated by a human player.
“initial scene state” (claim 1)	The initial scene state includes at least a position and orientation of objects, including avatars, rendered in the scene at a beginning of a time period of a new recording of a scene. The presence of avatars is not required; avatars may simply be included.
“recorded experience [file]” (claims 1, 2, 5)	[A file containing] a recording of a prior experience that occurred in a virtual environment.

For a claim term for which I have not provided a definition, you should apply the plain and ordinary meaning.

You must use the same claim meaning for both your decision on infringement and your decision on invalidity.

Source: N.D. Cal. Model Patent Jury Instruction No. B.2.1 (modified); *see also id.* at Instruction No. A.3; AIPLA Model Patent Jury Instruction No. 2.0; Final Jury Instructions at 18, *NXP USA, Inc. v. Impinj, Inc.*, No. 2:20-cv-01503-JHC (W.D. Wash. June 21, 2023). October 20, 2022 Order re: Claims Construction, Dkt. 133.

Plaintiff's Position:

Plaintiff's proposed instruction directly addresses the construction and the full context of the Court's order. Defendant's own trial brief expressly puts the Court on notice that it intends to misrepresent the full context of the Court's order including an intentional omission reflected by an ellipse. Defendant's trial brief further reflects its planned attempt to take advantage of certain of the Court's motion in limine decision that otherwise prohibit a further discussion of the Court's reasoning while Defendant misrepresents the same. Plaintiff's proposed instruction prevents Defendant from misrepresenting the full context of the claim construction without an end around of the Court's MIL decisions. The instruction is required to prevent that misrepresentation or a modification of the Court's MIL decisions are otherwise required.

DISPUTED Final Instruction No. 11 – Interpretation of Claims (PROPOSED BY EPIC)

Before you decide whether Epic Games has infringed the asserted claims of the patent or whether those claims are invalid, you will need to understand the patent claims. As I mentioned at the beginning of the case, the patent claims are numbered sentences at the end of the patent that describe the boundaries of the patent’s protection. It is my job as judge to explain to you the meaning of any language in the asserted claims that needs interpretation.

I have interpreted the meaning of some of the language in the patent claims involved in this case. You must accept those interpretations as correct. My interpretation of the language should not be taken as an indication that I have a view regarding the issues of infringement and invalidity. The decisions regarding infringement and invalidity are yours to make.

For purposes of the ’605 Patent, the following terms have the following meanings:

Claim Term	Meaning
“avatar” (claims 1, 2)	A computer-generated figure in a virtual environment that represents and is operated by a human player.
“initial scene state” (claim 1)	Scene state information, including at least a position and orientation of objects, including avatars, rendered in the scene at a beginning of a time period of a new recording of a scene.
“recorded experience [file]” (claims 1, 2, 5)	[A file containing] a recording of a prior experience that occurred in a virtual environment.

For a claim term for which I have not provided a definition, you should apply the plain and ordinary meaning.

You must use the same claim meaning for both your decision on infringement and your decision on invalidity.

Source: N.D. Cal. Model Patent Jury Instruction No. B.2.1 (modified); *see also id.* at Instruction No. A.3; AIPLA Model Patent Jury Instruction No. 2.0; Final Jury Instructions at 18, *NXP USA, Inc. v. Impinj, Inc.*, No. 2:20-cv-01503-JHC (W.D. Wash. June 21, 2023). October 20, 2022 Order re: Claims Construction, Dkt. 133.

Defendant's Position:

Utherville's position statement seeks to resurrect an argument the Court already rejected. The Court's order on motions *in limine* stated that "it intends to present to the jury ***only the constructions adopted by the Court*** and will not provide a copy of its Orders or permit witnesses to discuss the reasoning of Orders." ECF No. 431 at 6 (emphasis added). During claim construction, the Court adopted Epic's proposed construction of "initial scene state," as set forth verbatim in Epic's proposed instruction. ECF No. 133 at 3, 13. Utherville's proposal contravenes this order by attempting to insert a paraphrased excerpt from the Court's reasoning within the construction of "initial scene state." Epic's proposal, by contrast, tracks the Court's construction of "initial scene state" verbatim. *See id.*

Consistent with the Court's construction, Epic does not intend to argue that the claim term "initial scene state" requires the inclusion of an avatar. Rather, and as Utherville itself acknowledged during claim construction, other language in claim 1 expressly requires "rendering for display by the at least one client device, objects of the initial scene state in the new instance, ***including one or more avatars.***" '605 patent, claim 1; Dkt. 301-7 at 86:15-19 ("because the recitation of the avatar actually appears in the claim, [] having it be part of [both] the construction [of initial scene state] and [] the claim would actually make it redundant and repetitive").

Utherville's proposal should also be rejected because it risks confusing the jury. The agreed preliminary instructions inform the jury that jurors will be given a document containing only the Court's claim constructions. *See* Prelimin. Instr. No. 4. Utherville seeks to include a new construction in the final jury instructions that was not adopted by the Court and differs from the constructions in the document to be presented to the jury during preliminary instructions. *Vaporstream, Inc. v. Snap Inc.*, No. 2:17-cv-00220-MLH (KSx), 2020 WL 978731, at *10 (C.D. Cal. Feb. 28, 2020) ("in general, the parties should be precluded from referencing the Court's prior rulings and orders other than the Court's claim constructions due to the substantial risk of confusing and misleading the jury."). The Court should adopt Epic's proposal.

DISPUTED Final Instruction No. 13 – Infringement (PROPOSED BY UTHERVERSE)

A patent's claims define what is covered by the patent. A method infringes a patent if it is covered by at least one claim of the patent.

Deciding whether a claim has been infringed is a two-step process. The first step is to decide the meaning of the patent claim. I have already made this decision, and I have already instructed you as to the meaning of the asserted patent claims. The second step is to decide whether Epic Games has used a method covered by an asserted claim of the '605 Patent when it created and implemented the Travis Scott and Ariana Grande Events. If it has, it infringes. You, the jury, make this decision.

Asserted claims 2, 5, and 8 are what are known as dependent claims that depend from independent claim 1. A dependent claim includes all of the requirements of a particular independent claim, plus additional requirements of its own. As a result, if you find that **an independent claim** is not infringed, you must also find that **its dependent claims** are not infringed. On the other hand, if you find that **an independent claim** has been infringed, you must still separately decide whether the additional requirements of its dependent claims have also been infringed.

Whether or not Epic Games knew its method infringed or even knew of the '605 Patent does not matter in determining infringement.

To decide whether Epic Games infringes an asserted claim of the '605 Patent, you must compare Epic Games' actions in creating and implementing the accused events with the patent claim and determine whether Epic Games practiced every requirement of the asserted claim. If so, Epic Games infringes that claim. If, however, Epic Games did not practice every requirement in the asserted patent claim in creating and implementing the accused events, Epic Games does not infringe that claim. You must decide infringement for each of asserted claims 2, 5, and 8 separately.

1 If the patent claim uses the term “comprising,” that patent claim is to be understood as an
2 open claim. An open claim is infringed as long as Epic practiced every requirement in the claim
3 in creating and implementing the accused events.

4 The fact that Epic may have taken additional steps or that Epic’s method includes other
5 steps in offering the Travis Scott Virtual Events and Ariana Grande Virtual Events will not avoid
6 infringement, so long as it performed every requirement in the asserted patent claim.

7
8 Source: N.D. Cal. Model Patent Jury Instruction Nos. B.3.2 (modified), B.3.3 (modified).

9
10 **Plaintiff’s Position:**

11 The model patent jury instruction that both Plaintiff and Defendant cite for this instruction
12 recites verbatim the language Plaintiff proposes in the third paragraph of the instruction: “As a
13 result, if you find that an independent claim is not infringed, you must also find that its dependent
14 claims are not infringed. On the other hand, if you find that an independent claim has been
15 infringed, you must still separately decide whether the additional requirements of its dependent
16 claims have also been infringed.” The model instruction does not bracket the words “independent
17 claim” or “dependent claims,” thus, the model intends that the court use the terms “independent
18 claim” and “dependent claim” rather than substitute the claim number of the asserted claims.

19 Further, both the beginning of the third paragraph and the end of the fifth paragraph of this
20 instruction identifies the dependent claims as 2, 5, and 8. There is no need to modify the “an
21 independent claim” and the “its dependent claims” language because there is no ambiguity in the
22 instruction.

23 Plaintiff requests that the Court read the instruction as it is written in the model.
24
25
26

DISPUTED Final Instruction No. 13 - Infringement (PROPOSED BY EPIC)

A patent's claims define what is covered by the patent. A method infringes a patent if it is covered by at least one claim of the patent.

Deciding whether a claim has been infringed is a two-step process. The first step is to decide the meaning of the patent claim. I have already made this decision, and I have already instructed you as to the meaning of the asserted patent claims. The second step is to decide whether Epic Games has used a method covered by an asserted claim of the '605 Patent when it created and implemented the Travis Scott and Ariana Grande Events. If it has, it infringes. You, the jury, make this decision.

Asserted claims 2, 5, and 8 are what are known as dependent claims that depend from independent claim 1. A dependent claim includes all of the requirements of a particular independent claim, plus additional requirements of its own. As a result, if you find that **claim 1** is not infringed, you must also find that **claims 2, 5, and 8** are not infringed. On the other hand, if you find that **claim 1** has been infringed, you must still separately decide whether the additional requirements of its dependent claims **2, 5, and 8** have also been infringed.

Whether or not Epic Games knew its method infringed or even knew of the '605 Patent does not matter in determining infringement.

To decide whether Epic Games infringes an asserted claim of the '605 Patent, you must compare Epic Games's actions in creating and implementing the accused events with the patent claim and determine whether Epic Games practiced every requirement of the asserted claim. If so, Epic Games infringes that claim. If, however, Epic Games did not practice every requirement in the asserted patent claim in creating and implementing the accused events, Epic Games does not infringe that claim. You must decide infringement for each of asserted claims 2, 5, and 8 separately.

If the patent claim uses the term "comprising," that patent claim is to be understood as an open claim. An open claim is infringed as long as Epic Games practiced every requirement in the claim in creating and implementing the accused events.

1 The fact that Epic Games may have taken additional steps or that Epic Games's method
2 includes other steps in hosting the accused events will not avoid infringement, so long as it
3 performed every requirement in the asserted patent claim.

4
5 Source: N.D. Cal. Model Patent Jury Instruction Nos. B.3.2 (modified), B.3.3 (modified).
6
7

8 **Defendant's Position:**

9 The primary dispute between the parties is whether the jury instruction should identify, by
10 number, the specific independent and dependent claims at issue in this case when reciting the law
11 relevant to those claims. Epic's proposal identifies claim 1 as independent and claims 2, 5, and 8
12 as dependent—an undisputed proposition that clarifies for the jury how the law applies to each of
13 the claims. Utherverse's proposal refers to the law's application to the "independent claim" and
14 "dependent claims" in the abstract, needlessly complicating the instruction and obfuscating which
15 parts of the instruction apply to which of the specific claims at issue.

16 In particular, Epic's proposal instructs the jury that if it finds independent claim 1 not
17 infringed, it must find that dependent claims 2, 5, and 8 also are not infringed. Epic's proposal
18 also instructs the jury that if it finds independent claim 1 has been infringed, it must still separately
19 decide whether the additional requirements of dependent claims 2, 5, and 8 are met. While
20 Utherverse and Epic agree on these statements of law, Utherverse's proposal does not identify the
21 specific asserted claims to which those statements apply. Utherverse's instruction might be
22 appropriate in a situation involving potential infringement of multiple sets of dependent and
23 independent claims. But here, with just one independent claim and one set of dependent claims,
24 there is no reason for the Court not to provide maximum clarity to the jury regarding requirements
25 for finding infringement of the specific asserted claims.
26

DISPUTED Final Instruction No. 13A – Order of Steps in a Method Claim (PROPOSED BY UATHERVERSE)

Although a method claim necessarily recites the steps of the method in a particular order, as a general rule the claim is not limited to performance of the steps in the order recited, unless the claim explicitly or implicitly requires a specific order. A claim with many steps can be infringed by an accused method performing the claimed steps in any order. The sequence in which such steps are written is not a requirement.

Source: Baldwin Graphic Sys., Inc. v. Siebert, Inc., 512 F.3d 1338, 1345 (Fed. Cir. 2008); *TALtech Ltd. v. Esquel Apparel, Inc.*, 279 F. App'x 974, 975 (Fed. Cir. 2008); *Altiris v. Symantec Corp.*, 318 F.3d 1363, 1370 (Fed. Cir. 2003).

NEW Instruction No. 13B – Interpretation of Claims, Cont. of Instruction No. 11 (PROPOSED BY UATHERVERSE)

Although a single claim term should be construed consistently with its appearance in other places in the same claim or in other claims of the same patent, the patentee's mere use of a term with an antecedent does not require that both terms have the same meaning. "A" or "an" in patent parlance carries the meaning of "one or more" in open-ended claims containing the transitional phrase "comprising." That "a" or "an" can mean "one or more" is best described as a rule, rather than merely as a presumption or even a convention.

Source: Microprocessor Enhancement Corp. v. Tex. Instruments Inc., 520 F.3d 1367, 1375 (Fed. Cir. 2008); Rexnord Corp. v. Laitram Corp., 274 F.3d 1336, 1342 (Fed. Cir. 2001); Baldwin Graphic Sys., Inc. v. Siebert, Inc., 512 F.3d 1338, 1342-1343 (Fed. Cir. 2008)

Plaintiff's Position:

Uatherine's Proposed 13A should be read to the jury because Epic intends to present arguments regarding an order of steps in a method claim, which arguments are refuted by Federal Circuit law. Epic's trial brief shows that it intends to argue to the jury that in order to infringe, the accused events must perform the steps of the asserted patent claims in a particular order. *See e.g.*

1 Dkt. 446:5:7-15. But the Federal Circuit has held that “as a general rule [a method] claim is *not*
2 *limited to performance of the steps in the order recited*, unless the claim explicitly or implicitly
3 requires a specific order.” *Baldwin Graphic Sys., Inc. v. Siebert, Inc.*, 512 F.3d 1338, 1345 (Fed.
4 Cir. 2008) (emphasis added). Moreover, Epic’s expert Ellinger purports to state the law as to an
5 order of steps in his expert report. *See* May 12, 2023 Report at ¶ 24. Leaving aside the fact that
6 an expert should not be testifying as to the law, his stated “understand[ing]” of the law is
7 misleading at best. The jury should be properly instructed as to the law pursuant to Federal Circuit
8 authority.

9 Epic’s Proposed 13A is improper and incomplete. Epic’s 13A is presented as a bright-line
10 rule regarding the use of a term with an antecedent. But in *Microprocessor*, the Federal Circuit
11 made clear that there is no such bright line rule. In order to compromise on this issue, Utherverse
12 accepts that Epic’s 13A may be read to the jury so long as the Court also reads Utherverse’s
13 Proposed 13B (the first sentence of which is based on the Federal Circuit authority in
14 *Microprocessor*). Epic’s 13A is also incomplete and divorced from context. Epic appears to have
15 copied this one-sentence instruction from a lengthy W.D. Tex. trial court instruction, without
16 citation to any binding or persuasive authority. The *full* W.D. Tex. instruction spans three pages
17 and is captioned “Patent Claims”—not antecedent basis. More importantly, Epic did not include
18 a necessary counterpart to this instruction, which was addressed in the very paragraph of the W.D.
19 Tex. instruction from which Epic copied its proposal and is based on binding Federal Circuit
20 authority. To compromise, Utherverse accepts that Epic’s 13A may be read to the jury as part of
21 Instruction 11 (which is the analog to the “Patent Claims” instruction from the Western District),
22 so long as the Court also reads the necessary counterpart, as proposed in Utherverse’s Proposed
23 13B. Epic’s Proposed 13A, coupled with Utherverse’s Proposed 13B, *together* constitute a more
24 complete statement of the relevant law and incorporates binding Federal Circuit authority.

DISPUTED Final Jury Instruction No. 13A – Antecedent Basis (PROPOSED BY EPIC)

The use of the term “the” has a special meaning in the context of a patent such that when a patent claim term uses “the” to introduce a claim element, the term “the [element]” means “the same particular [element] that the claim previously introduced as “a” or “an” or “one” [element].”

Source: Final Jury Instruction No. 2.15, *Identity Security LLC v. Apple Inc.*, No. 1:22-cv-00058-ADA (W.D. Tex. Oct. 4, 2024) (ECF No. 297).

Defendant’s Position:

The parties dispute how to instruct the jury regarding the order of steps in a method claim. Epic’s proposal accounts for how the principle of antecedent basis and the logic and grammar of the asserted claim language, constrains the order of the steps in claim 1. The general propositions set forth in Uthervse’s proposed Instructions 13A-B have no place in this case.

First, the language of claim 1 requires that its method steps be performed in a specific order. The final step of claim 1 recites “automatically transporting *the* one or more avatars” that are first recited (and rendered) in the third step of the claim, which requires “playing back the recorded experience file by rendering . . . one or more avatars.” Because the avatars cannot be transported before they have been rendered, the claim language dictates that the “automatically transporting” step occur after the “playing back” step. It would be error to provide the jury an instruction that would allow a contrary conclusion.

Uthervse’s cited cases support Epic’s proposal: Courts “will find that [a] claim requires an ordering of steps when the claim language, as a matter of logic or grammar, requires that the steps be performed in the order written.” *TALtech Ltd. v. Esquel Apparel, Inc.*, 279 F. App’x 974, 978 (Fed. Cir. 2008); *see also Baldwin Graphic Sys., Inc. v. Siebert, Inc.*, 512 F.3d 1338, 1345 (Fed. Cir. 2008) (method claim language may “explicitly or implicitly require[] a specific order”). In *TALtech*, “[t]he logic and grammar of the claim mad[e] the requirement of an order clear” that a step reciting “folding the first garment component over . . . an upper surface of *the* bonding element” had to occur after a step reciting “placing *a* bonding element” *Id.* at 978 (emphases

1 added). Similarly, the claims in *Baldwin* required that a method step for “saturating *said* reduced
2 air content cleaning fabric” must be performed after a step for “reducing air content . . . to form *a*
3 strip of reduced air cleaning fabric.” 512 F.3d at 1341, 1345 (emphases added).

4 Second, whether “a” means “one” or “one or more” (addressed by Utherverse’s 13B) is
5 irrelevant here, where no live issue turns on whether any claim term is singular or plural, and
6 providing Plaintiff’s proposed instruction would confuse the jury. The Court should therefore give
7 Epic’s proposed antecedent-basis instruction.

8 Epic proposes this instruction as an alternative to Utherverse’s standalone proposal on
9 claim ordering (which appears untethered to any prior jury instruction that has been given). Epic
10 would not object to the Court including Epic’s proposal as part of Instruction No. 11.

DISPUTED Final Instruction No. 23 – Reasonable Royalty – Definition (PROPOSED BY UTHERVERSE)

A royalty is a payment made to a patent holder in exchange for the right to make, use or sell the claimed invention. This right is called a “license.” A reasonable royalty is the payment for the license that would have resulted from a hypothetical negotiation between the patent holder, at the time, Utherville Digital, and the alleged infringer Epic Games taking place at the time when the infringing activity first began. In considering the nature of this negotiation, you must assume that both sides would have acted reasonably and would have entered into a license agreement. You must also assume that both parties believed the patent was valid and infringed. Your role is to determine what the result of that negotiation would have been. The test for damages is what royalty would have resulted from the hypothetical negotiation and not simply what either party would have preferred.

A royalty can be calculated in several different ways and it is for you to determine which way is the most appropriate based on the evidence you have heard. You should consider all the facts known and available to the parties at the time the infringement began. Some of the factors you may consider in making your determination include the following:

[FACTORS TO BE READ TO THE JURY WILL BE DETERMINED BY TESTIMONY]

- (1) The value that the claimed invention contributes to the accused events.
- (2) The value that factors other than the claimed invention contribute to the accused events.
- (3) Comparable license agreements, **such as those** covering the use of the claimed invention or similar technology.
- (4) **Any royalties received by the licensor for the licensing of the patent-in-suit, proving or tending to prove an established royalty.**
- (5) **The rates paid by [the Defendant] to license other patents comparable to the [abbreviated patent number] patent.**

1 (6) The nature and scope of the license, as exclusive or non-exclusive, or as restricted
2 or non-restricted in terms of its territory or with respect to whom the manufactured product may
3 be sold.

4 (7) The licensor's established policy and marketing program to maintain its right to
5 exclude others from using the patented invention by not licensing others to use the invention, or
6 by granting licenses under special conditions designed to preserve that exclusivity.

7 (8) The commercial relationship between the licensor and the licensee, such as whether
8 or not they are competitors in the same territory in the same line of business

9 (9) The effect of selling the patented method in promoting other sales of the licensee;
10 the existing value of the invention to the licensor as a generator of sales of its non-patented items;
11 and the extent of such collateral sales.

12 (10) The duration of the '605 patent and the term of the license.

13 (11) The established profitability of the product made under the '605 patent, its
14 commercial success, and its current popularity.

15 (12) The utility and advantages of the patented invention over the old modes or devices,
16 if any, that had been used for achieving similar results..

17 (13) The nature of the patented invention; the character of the commercial embodiment
18 of it as owned and produced by or for the licensor; and the benefits to those who have used the
19 invention.

20 (14) The extent to which the Epic has made use of the invention and any evidence
21 probative of the value of that use.

22 (15) The portion of the profit or of the selling price that may be customary in the
23 particular business or in comparable business to allow for the use of the invention or analogous
24 inventions.

25 (16) The portion of the profit that arises from the patented invention itself as opposed to
26 profit arising from unpatented features, such as the manufacturing process, business risks, or
significant features or improvements added by the accused infringer.

1 (17) The opinion testimony of qualified experts.

2 (18) The amount that a licensor (such as Utherverse Gaming) and a licensee (such as
3 Epic) would have agreed upon (at the time the infringement began) if both had been reasonably
4 and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who
5 desired, as a business proposition, to obtain a license to manufacture and sell a particular article
6 embodying the patented invention—would have been willing to pay as a royalty and yet be able
7 to make a reasonable profit and which amount would have been acceptable by a prudent patentee
8 who was willing to grant a license.

9 (19) Any other economic factor that a normally prudent business person would, under
10 similar circumstances, take into consideration in negotiating the hypothetical license.

11 One way to calculate a royalty is based on a percentage of the incremental revenue from
12 infringement. To calculate such a percentage royalty, you must first determine the “base,” that is,
13 the revenue on which the alleged infringer is to pay, and then multiply that revenue by the “rate”
14 or percentage that you find would have resulted from the hypothetical negotiation. For example,
15 if the patent covers a nail, the nail sells for \$1, and the licensee sold 200 nails, the base revenue
16 would be \$200. If the rate you find would have resulted from the hypothetical negotiation is 1%,
17 then the royalty would be \$2, or the rate of 0.01 times the base revenue of \$200. By contrast, if
18 you find the rate to be 5%, the royalty would be \$10, or the rate of 0.05 times the base revenue of
19 \$200. These numbers are only examples and are not intended to suggest the appropriate royalty
20 rate.

21 The ultimate combination of royalty base and royalty rate must reflect the value attributable
22 to the infringing features of the product, and no more. When the accused infringing product has
23 both patented and unpatented features, measuring this value requires you to identify and award
24 only the value of the patented features.

25 Another way to calculate a royalty is to determine a one-time lump sum payment that the
26 alleged infringer would have paid at the time of the hypothetical negotiation for a license covering
all sales of the licensed product, both past and future. This differs from payment of an ongoing

royalty because, with an ongoing royalty, the licensee pays based on the revenue of actual licensed products it sells. When a one-time lump sum is paid, the alleged infringer pays a single price for a license covering both past and future infringing sales.

It is up to you, based on the evidence, to decide what type of royalty is appropriate in this case for the life of the '605 Patent.

Source: N.D. Cal. Model Patent Jury Instructions, Instruction 5.7 (modified); AIPLA Model Instruction 10.2.5.3

Authorities: *Garretson v. Clark*, 111 U.S. 120 (1884); *Ericsson v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326-34 (Fed. Cir. 2014); *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67-68 (Fed. Cir. 2012); *Lucent v. Gateway*, 580 F.3d 1301, 1336-39 (Fed. Cir. 2009); *Golight, Inc., v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338 (Fed. Cir. 2004); *Maxwell v. Baker, Inc.*, 86 F.3d 1098, 1108-10 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579-81 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (*en banc*); *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010).

Plaintiff's Position:

The parties disagree as to which factors the Court should instruct the jury to consider when determining a reasonable royalty. Defendant proposes only the three factors listed in the Northern District of California's model, but by its own language this instruction is not exhaustive. N.D. Cal. Model Patent Jury Instruction ("NDCA") 5.7 ("**Some** of the factors you may consider"). Other models provide more complete instructions. *See* AIPLA Model Patent Jury Instruction ("AIPLA") 10.2.5.3 (listing sixteen factors). Plaintiff's proposal includes these additional factors that, if supported by admitted evidence, the Court should also include.

The parties disagree as to the language describing "comparable license agreements." Plaintiff proposes verbatim the description from NDCA 5.7 ("comparable license agreements, **such as those** covering the use of the claimed invention or similar technology."). Defendant limits this to "other transactions involving patents," which risks the jury failing to consider other relevant agreements such as payments to artists, merchandise agreements, industry reports, or license

1 agreements involving a prior owner of the '605 Patent. Defendant previously unsuccessfully tried
2 to exclude reliance on such materials. *See* D.I. 371 at 9:6-10:6 (denying motion to exclude
3 testimony of Ms. Riley). For the same reasons, the Court should not use Defendant's modified
4 version of the "comparable license agreement" factor.

5 Defendant also reorders the factors to emphasize those it believes favor it. Plaintiff lists the
6 factors in the order they appear in the NDCA, followed by the order they appear in the AIPLA.

7 Defendant seeks to include a paragraph describing the concept of apportionment. This is
8 redundant of the standalone apportionment instruction (Final Instruction No. 24). Defendant's
9 language appears in the Northern District of California's model, but notably that model does not
10 include a standalone apportionment instruction; and although the AIPLA's model includes a
11 standalone instruction, it does not duplicate it in the general definition of "reasonably royalty."
12 AIPLA 10.2.5.1, 10.2.5.4. Instructing the jury on the concept twice risks potential confusion and
13 places undue emphasis on the issue. A single instruction should suffice.

DISPUTED Final Instruction No. 23 – Reasonable Royalty - Definition (PROPOSED BY EPIC)

A royalty is a payment made to a patent holder in exchange for the right to make, use, or sell the claimed invention. This right is called a “license.” A reasonable royalty is the payment for the license that would have resulted from a hypothetical negotiation between the patent holder, at the time, Utherville Digital, and the alleged infringer Epic Games taking place at the time when the infringing activity first began. In considering the nature of this negotiation, you must assume that both sides would have acted reasonably and would have entered into a license agreement. You must also assume that both parties believed the patent was valid and infringed. Your role is to determine what the result of that negotiation would have been. The test for damages is what royalty would have resulted from the hypothetical negotiation and not simply what either party would have preferred.

A royalty can be calculated in several different ways, and it is for you to determine which way is the most appropriate based on the evidence you have heard. You should consider all the facts known and available to the parties at the time the infringement began. Some of the factors you may consider in making your determination are:

- (1) Comparable license agreements and other transactions involving patents covering the use of the claimed invention or similar technology.
- (2) The value that the claimed invention contributes to the accused events.
- (3) The value that factors other than the claimed invention contribute to the accused events.

One way to calculate a royalty is based on a percentage of the incremental revenue from infringement. To calculate such a percentage royalty, you must first determine the “base,” that is, the revenue on which the alleged infringer is to pay, and then multiply that revenue by the “rate” or percentage that you find would have resulted from the hypothetical negotiation. For example, if the patent covers a nail, the nail sells for \$1, and the licensee sold 200 nails, the base revenue would be \$200. If the rate you find would have resulted from the hypothetical negotiation is 1%,

1 then the royalty would be \$2, or the rate of 0.01 times the base revenue of \$200. By contrast, if
2 you find the rate to be 5%, the royalty would be \$10, or the rate of 0.05 times the base revenue of
3 \$200. These numbers are only examples and are not intended to suggest the appropriate royalty
4 rate.

5 If the patent covers only part of Epic Games' accused events, then the base would normally
6 be only that feature or component. For example, if you find that for a \$100 car, the patented feature
7 is the tires which sell for \$5, the base revenue would be \$5.

8 The ultimate combination of royalty base and royalty rate must reflect the value attributable
9 to the infringing features of the product, and no more. When the accused infringing products have
10 both patented and unpatented features, measuring this value requires you to identify and award
11 only the value of the patented features.

12 Another way to calculate a royalty is to determine a one-time lump sum payment that the
13 alleged infringer would have paid at the time of the hypothetical negotiation for a license covering
14 all sales of the licensed product, both past and future. This differs from payment of an ongoing
15 percentage royalty because, with a percentage royalty, the licensee pays based on the revenue from
16 actual infringement. When a one-time lump sum is paid, the alleged infringer pays a single price
17 for a license covering both past and future infringement.

18 It is up to you, based on the evidence, to decide what type of royalty is appropriate in this
19 case for the life of the patent.

20 Source: N.D. Cal. Model Patent Jury Instruction No. B.5.7 (modified).
21

22
23 **Defendant's Position:**

24 Epic's proposed instruction regarding the reasonable royalty closely tracks the model jury
25 instructions, with minor modifications made to reflect the *Georgia-Pacific* factors and other legal
26 principles that are actually at issue in this case. N.D. Cal. Model Patent Jury Instruction No. B.5.7
(modified to reference the "accused events" and other patent transactions). For example, Epic's

proposal includes that “other transactions involving patents covering the use of the claimed invention or similar technology” may be considered in addition to patent licenses because there are patent transactions other than patent licenses that the parties have asserted are relevant to damages. *See, e.g., Uniloc USA, Inc. v. Apple Inc.*, 2020 WL 4368207, at *2 (N.D. Cal. July 30, 2020) (“The price paid to acquire all rights to a patent may be considered in assessing a reasonable royalty for a hypothetical license to the patent.”). Epic reordered the factors solely to reflect the likely order in which the evidence will be presented at trial. As for Epic’s proposal to add an explanation of royalty-base apportionment, that language will also provide important guidance to the jury on apportionment: “the patentee must ‘give evidence tending to separate or apportion the [infringer]’s profits and the patentee’s damages between the patented feature and the unpatented features.’” *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1310 (Fed. Cir. 2018) (cleaned up) (requiring apportionment of royalty base); *see also Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014) (finding expert’s testimony on royalty base inadmissible when no apportionment was done).

In contrast, Utherverse’s proposal adds the remaining, irrelevant Georgia Pacific factors to the instruction as well as concepts that are not at issue in this case. For example, Utherverse proposes instructing the jury on an “ongoing royalty” despite the fact that Utherverse does not allege that Epic’s infringement is ongoing, which will give rise to potential confusion. If, as a result of expert testimony, other factors become relevant during the trial, Epic is not opposed to adding only the relevant factors to the instruction.

The Court should adopt Epic’s proposal, which tracks the model jury instructions and provides the jury with the proper framework to ensure consistency with the law.

PLAINTIFF'S NOTE ON Final Instruction No. 24 – Damages – Apportionment

Any amount you find as damages must be based on the value attributable to the patented invention, as distinct from unpatented steps included in the accused process or other factors such as marketing or advertising, or Epic Games' size or market position. A royalty compensating Utherville for damages must reflect the value attributable to the infringing steps of the infringing process, and no more. The process of separating the value of the allegedly infringing steps from the value of all other steps and aspects of the product is called apportionment.

Source: 2014 AIPLA Model Patent Jury Instructions 10.2.5.4

Plaintiff's Position:

This instruction is currently undisputed. However, if the apportionment language Defendant includes in its proposed Instruction No. 23 is allowed, Instruction No. 24 should not be included. Defendant's language appears in the Northern District of California's model, but notably that model does not include a standalone apportionment instruction; and although the AIPLA's model includes a standalone instruction, it does not duplicate it in the general definition of "reasonably royalty." AIPLA 10.2.5.1, 10.2.5.4. Instructing the jury on the concept twice risks potential confusion and places undue emphasis on the issue. A single instruction should suffice.

Defendant's Position:

This instruction should be given regardless of whether the Court adopts Epic's proposal for Instruction No. 23 on the reasonable royalty definition. The explanation in Instruction No. 23 of how to apportion the royalty base is insufficient to instruct the jury on the concept of apportionment when Utherville's damages expert purports to apportion not only through the damages base but also through her proposed royalty rate. The Court should therefore give undisputed Instruction No. 24 regardless of which party's instruction the Court adopts in Instruction No. 23.

DISPUTED Final Instruction No. 24A – Damages – Comparable Agreements (PROPOSED BY UThERVERSE)

When determining a reasonable royalty, you may consider evidence concerning the amounts that other parties have paid for rights to the asserted patent, **or for comparable rights**. A license agreement need not be perfectly comparable to a hypothetical license that would be negotiated between **the patent holder, at the time, Utherville Digital, and the alleged infringer, Epic Games** in order for you to consider it. However, if you choose to rely upon evidence from any license agreements, **you should consider** any differences between those licenses and the hypothetically negotiated license between Utherville Digital and Epic Games, **in terms of the technologies and economic circumstances of the contracting parties, when you make your reasonable royalty determination.**

Sources: Final Jury Instructions at 34, *CEMCO, LLC v. KPSI Innovations, Inc.*, No. C23-0918JLR (W.D. Wash. Dec. 6, 2024); *Adasa Inc. v. Avery Dennison Corp.*, 55 F.4th 900, 915 (Fed. Cir. 2022); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 873 (Fed. Cir. 2010).

Plaintiff's Position:

Defendant seeks a standalone instruction regarding the consideration of “comparable agreements.” Again, the Court should not instruct the jury on the same issue twice. NDCA 5.7 (including the concept in the definition of “reasonable royalty” but not providing a standalone instruction); AIPLA 10.2.5.1, 10.2.5.9 (providing a standalone instruction but not including the concept in the general definition).

To the extent a standalone instruction is included, Defendant’s proposal is unduly restrictive. Defendant argues that agreements must pass a ‘baseline comparability’ test, but this is only a “minimum threshold.” *ActiveVideo Networks, Inc. v. Verizon Cmmc’n, Inc.*, 649 F.3d 1312, 1333 (Fed. Cir. 2012). The “degree of comparability” is “appropriately left for the jury.” *Bio-Rad Laboratories, Inc. v. 10X Genomics Inc.*, 967 F.3d 1353, 1374 (Fed. Cir. 2020). An agreement need not be a **patent** agreement or an agreement for rights **to** a technology as Defendant proposes.

1 *SSL Services, LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1093 (Fed. Cir. 2014) (approving reliance
2 on service and distribution agreements); *see also Bio-Rad*, 967 F.3d at 1374 (allowing reliance on
3 agreement related to scientific instruments); *ActiveVideo*, 694 F.3d at 1333 (concerning agreement
4 that covered both patents and software services); *Skillz Platform Inc. v. AviaGames Inc.*, 21-CV-
5 02436-BLF, 2023 WL 8438738, at *7 (N.D. Cal. Dec. 5, 2023) (permitting reliance on SDK
6 [software development kit] agreement). And the Court already rejected Defendant’s objections to
7 reliance on these types of agreements. D.I. 371 at 9:6-10:6 (denying *Daubert* motion).

8 Therefore, Plaintiff’s modification of the *CEMCO* instruction is appropriate as the
9 instruction should not be limited to “rights to similar technologies.” Plaintiff’s proposal is
10 otherwise consistent with *CEMCO*, modified only to tailor to the relevant parties in this case.
11 Defendant’s proposal, in contrast, usurps the role of the jury in determining the degree of
12 comparability in light of all the testimony and evidence at trial. The Court should not adopt it.

DISPUTED Final Instruction No. 24A – Damages – Comparable Agreements (PROPOSED BY EPIC)

When determining a reasonable royalty, you may consider evidence concerning the amounts that the parties or other parties have paid for rights to the asserted patent, or have paid for comparable rights to similar technologies. A license agreement need not be perfectly comparable to a hypothetical license that would be negotiated between Utherville Digital and Epic Games in order for you to consider it. However, if you choose to rely upon evidence from any license agreements, you must account for any differences between those licenses and the hypothetically negotiated license between Utherville Digital and Epic Games. Such differences include differences in the technologies underlying the licenses and the economic circumstances of the contracting parties as compared to the technologies and economic circumstances of the hypothetically negotiated license between Utherville Digital and Epic Games. To the extent that a license agreement is not economically or technologically comparable to the hypothetical license to the asserted patent, it should not be used to determine a reasonable-royalty award.

Sources: Final Jury Instructions at 34, *CEMCO, LLC v. KPSI Innovations, Inc.*, No. C23-0918JLR (W.D. Wash. Dec. 6, 2024); *Adasa Inc. v. Avery Dennison Corp.*, 55 F.4th 900, 915 (Fed. Cir. 2022); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 873 (Fed. Cir. 2010).

Defendant's Position:

By failing to specify that “comparable rights” must be to “similar technologies” and stating that the jury simply “should consider” any differences between actual licenses in the record and the hypothetically negotiated license, Utherville’s proposed instruction runs contrary to established law. Utherville’s proposal improperly suggests to the jury that technological and economic comparability are optional features in an agreement the jury relies on to calculate damages. But as Utherville acknowledges, the law is clear that technological and economic comparability represent “minimum threshold” requirements to rely on a license to calculate

1 damages: “The party proffering a license bears the burden of establishing it is sufficiently
2 comparable to support a proposed damages award.” *Adasa Inc. v. Avery Dennison Corp.*, 55 F.4th
3 900, 915 (Fed. Cir. 2022) (citing *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 130, 1329 (Fed.
4 Cir. 2009)). Epic’s proposed instruction makes clear that the jury must base its award on an
5 agreement that is economically and technologically comparable to the license that would result
6 from the hypothetical negotiation (and nothing in Epic’s proposed instruction restricts agreements
7 the jury may consider to patent agreements). Indeed, “[w]hen relying on allegedly comparable
8 licenses, the proponent ‘*must* account for differences in the technologies and economic
9 circumstances of the contracting parties.’” *Id.* (quoting *Finjan, Inc. v. Secure Computing Corp.*,
10 626 F.3d 1197, 1211 (Fed. Cir. 2010)) (emphasis added). Assessing differences between the
11 hypothetical negotiation and allegedly comparable licenses is not an optional step that the jury
12 “should consider” as Utherville proposes. It is something the jury must account for as set forth
13 in Epic’s proposed instruction. And if the existing license is not technologically or economically
14 comparable to the license that would result from the hypothetical negotiation, then the jury cannot,
15 by definition, make this legally required comparison. The Court should adopt Epic’s proposed
16 instruction, which provides a correct statement of the law and provides the jury the framework to
17 allow it to assess comparability of the agreements that are presented at trial.

DISPUTED Final Instruction No. 25 – Glossary of Patent Terms (PROPOSED BY UTHERVERSE)

NO GLOSSARY OF PATENT TERMS SHOULD BE PROVIDED

Plaintiff’s Position:

The model instruction from which Defendant adopts its proposed glossary begins, “Some of the terms in this glossary will be defined in more detail in the instructions you are given. *The definitions in the instructions must be followed and must control your deliberations.*” N.D. Cal. Model Patent Jury Instructions C.1 Appendix (emphasis added). Thus, the model that Defendant relies upon *explicitly* defers to the descriptions and discussions of terms in other relevant substantive instructions. The terms Defendant proposes for its glossary are already discussed and/or described elsewhere in the jury instructions or in the patent video that the jurors will have watched prior to commencement of trial.

In addition to terms already in the model glossary, Epic proposes that the glossary also include “avatar,” “initial scene state,” and “recorded experience file,” the three terms that are the subject of the Court’s Claim Construction Order at ECF No. 133 and Final Instruction No. 11 – Interpretation of Claims. Defendant’s inclusion of claim construction terms is inappropriate and risks confusing the jury. Final Instruction No. 11 explains that these three terms represent “language in the patent claims involved in this case.” In the glossary, however, every term is general and uncontroversial. The model instruction itself instructs that a glossary should contain “agreed-upon definitions.” N.D. Cal. Model Patent Jury Instructions C.1 Appendix. The parties extensively briefed and argued these and other terms during claim construction proceedings and both parties hold the right to seek appellate review. Final Instruction No. 11 provides essential context for these terms that a glossary does not. Plaintiff specifically objects to Defendant’s proposed inclusion of “avatar,” “initial scene state,” and “recorded experience file.”

Should the Court elect to provide a glossary to the jurors, Plaintiff objects to all modifications that Defendant has made to the model definitions, in particular, its modification of

1 the definition of “claim,” where Defendant added the sentence, “If the referenced claim is not
2 infringed, then the dependent claim is not infringed.” This modification is not supported by the
3 model itself, which, again, instructs that included terms should “have agreed-upon definitions.”
4 The jurors should only be provided the verbatim, neutral definitions as stated in the model.

DISPUTED Final Instruction No. 25 – Glossary of Patent Terms (PROPOSED BY EPIC)

[Epic proposes that the glossary be given to the jury with juror notebooks at the beginning of trial]

Some of the terms in this glossary will be defined in more detail in the instructions you are given. The definitions in the instructions must be followed and must control your deliberations.

Abstract: A brief summary of the technical disclosure in a patent to enable the U.S. Patent and Trademark Office and the public to determine quickly the nature and gist of the technical disclosure in the patent.

Anticipation: A situation in which a claimed invention describes an earlier invention and, therefore, is not considered new and is not entitled to be patented.

Assignment: A transfer of patent rights to another called an “assignee” who upon transfer becomes the owner of the rights assigned.

Avatar: A computer-generated figure in a virtual environment that represents and is operated by a human player.

Claim: Each claim of a patent is a concise, formal definition of an invention and appears at the end of the specification in a separately numbered paragraph. In concept, a patent claim marks the boundaries of the patent in the same way that a legal description in a deed specifies the boundaries of land, i.e., similar to a land owner who can prevent others from trespassing on the bounded property, the inventor can prevent others from using what is claimed. Claims may be independent or dependent. An independent claim stands alone. A dependent claim does not stand alone and refers to one or more other claims. A dependent claim incorporates whatever the other referenced claim or claims say. If the referenced claim is not infringed, then the dependent claim is not infringed.

Drawings: The drawings are visual representations of the claimed invention contained in a patent application and issued patent, and usually include several figures illustrating various aspects of the claimed invention.

1 **Elements:** The required parts of a device or the required steps of a method. A device or
2 method infringes a patent if it contains each and every requirement of a patent claim.

3 **Embodiment:** A product or method that contains the claimed invention.

4 **Enablement:** A description of the invention that is sufficient to enable persons skilled in
5 the field of the invention to make and use the invention. The specification of the patent must
6 contain such an enabling description.

7 **Examination:** Procedure before the U.S. Patent and Trademark Office whereby a Patent
8 Examiner reviews the filed patent application to determine if the claimed invention is patentable.

9 **Filing Date:** Date a patent application, with all the required sections, has been submitted
10 to the U.S. Patent and Trademark Office.

11 **Infringement:** Violation of a patent occurring when someone makes, uses, or sells a
12 patented invention, without permission of the patent holder, within the United States during the
13 term of the patent. Infringement may be direct, by inducement, or contributory. Direct
14 infringement is making, using, or selling the patented invention without permission.

15 **Initial Scene State:** Scene state information, including at least a position and orientation
16 of objects, including avatars, rendered in the scene at a beginning of a time period of a new
17 recording of a scene.

18 **Limitation:** A required part of an invention set forth in a patent claim. A limitation is a
19 requirement of the invention. The word “limitation” is often used interchangeably with the word
20 “requirement.”

21 **Nonobviousness:** One of the requirements for securing a patent. To be valid, the subject
22 matter of the invention must not have been obvious to a person of ordinary skill in the field of the
23 invention at the time of the earlier of the filing date of the patent application or the date of
24 invention.

25 **Patent:** A patent is an exclusive right granted by the U.S. Patent and Trademark Office to
26 an inventor to prevent others from making, using, offering to sell, or selling an invention within
the United States, or from importing it into the United States, during the term of the patent. When

1 the patent expires, the right to make, use, or sell the invention is dedicated to the public. The patent
2 has three parts, which are a specification, drawings and claims. The patent is granted after
3 examination by the U.S. Patent and Trademark Office of a patent application filed by the inventor
4 which has these parts, and this examination is called the prosecution history.

5 **Patent and Trademark Office (PTO):** An administrative branch of the U.S. Department
6 of Commerce that is charged with overseeing and implementing the federal laws of patents and
7 trademarks. It is responsible for examining all patent applications and issuing all patents in the
8 United States.

9 **Prior Art:** Previously known subject matter in the field of a claimed invention for which
10 a patent is being sought. It includes issued patents, publications, and knowledge deemed to be
11 publicly available such as trade skills, trade practices and the like.

12 **Prosecution History:** The prosecution history is the complete written record of the
13 proceedings in the PTO from the initial application to the issued patent. The prosecution history
14 includes the office actions taken by the PTO and the amendments to the patent application filed by
15 the applicant during the examination process.

16 **Reads On:** A patent claim “reads on” a device or method when each required part
17 (requirement) of the claim is found in the device or method.

18 **Recorded Experience File:** [A file containing] a recording of a prior experience that
19 occurred in a virtual environment.

20 **Requirement:** A required part or step of an invention set forth in a patent claim. The
21 word “requirement” is often used interchangeably with the words “limitation” and/or “element.”

22 **Royalty:** A royalty is a payment made to the owner of a patent by a non-owner in exchange
23 for rights to make, use or sell the claimed invention.

24 **Specification:** The specification is a required part of a patent application and an issued
25 patent. It is a written description of the invention and of the manner and process of making and
26

1 using the claimed invention.

2
3 Source: N.D. Cal. Model Patent Jury Instruction No. C.1 (modified).

4 **Defendant's Position:**

5 The Court should adopt Epic's proposal to provide the jury with a glossary of patent terms
6 in their juror notebooks. Epic's proposed glossary is taken directly from the N.D. Cal. model
7 instructions, with modifications only to exclude inapplicable terms and include the claim
8 constructions that the Court adopted for terms in the asserted claims. *See* N.D. Cal. Model Patent
9 Jury Instruction No. C.1 (modified). Utherville's proposal to eliminate the patent glossary
10 entirely risks leaving the jury unnecessarily confused and without means to accurately interpret
11 key technical and legal terms that will arise during trial. An understanding of the terms contained
12 in Epic's proposed glossary is vital to just resolution of this case. Moreover, the neutrality of the
13 proposed glossary ensures the jury receives accurate and unbiased definitions. This approach
14 promotes clarity and reduces the risk of juror misunderstanding.

1 DATED this 11th day of May, 2025

2 Respectfully submitted,

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